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 TO ALL AFRICAN DIPLOMATIC POSTS
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E.O. 12356 N/A
 TAGS: EAID, ECON, EINV, XA
 SUBJECT: HOUSE FOREIGN AFFAIRS SUBCOMMITTEE
 HEARINGS ON AFRICAN AID BUDGET

1. HOUSE FOREIGN AFFAIRS SUBCOMMITTEE ON AFRICA HELD
 HEARINGS FEBRUARY 7 ON AID BUDGET FOR AFRICA, WITH
 PARTICULAR EMPHASIS ON EPI. ADMINISTRATION WITNESSES
 WERE AID ASSISTANT ADMINISTRATOR DONATELLI AND DAS
 LYMAN. COPY OF THEIR TESTIMONIES ARE BEING SENT TO YOU
 SEPARATELY.

2. QUESTIONING FOCUSED ALMOST EXCLUSIVELY ON EPI.
 CHAIRMAN WOLPE STATED THAT HE THOUGHT IT WAS UNLIKELY
 THAT CONGRESS WOULD APPROVE ARRANGEMENT WHEREBY
 ADMINISTRATION WOULD BE FREE TO CHOOSE RECIPIENTS
 SIMPLY THROUGH CONGRESSIONAL NOTIFICATION PROCEDURE.
 HE SUGGESTED THAT STAFF AND ADMINISTRATION SHOULD WORK
 OUT ALTERNATIVE APPROACHES. IN RESPONSE TO HIS REPEATED
 QUESTIONS, DONATELLI AND LYMAN STATED THAT FLEXIBILITY
 WAS ESSENTIAL TO SUCCESS OF EPI. IF WE SPECIFIED
 RECIPIENTS IN THE LEGISLATION, THERE WOULD BE NO
 INCENTIVES FOR OTHER COUNTRIES TO INITIATE REFORMS AND
 NO BASIS FOR MULTILATERAL DEVELOPMENT OF ASSISTANCE
 PACKAGES. DONATELLI OUTLINED A NUMBER OF CRITERIA

(SEE TESTIMONY) AND STATED THAT OUR CURRENT THINKING WAS
 THAT WE WOULD NOT CHOOSE THE FOUR OR FIVE LARGEST
 RECIPIENTS OF AID IN AFRICA (SINCE INCREMENTAL
 ASSISTANCE LEVEL WOULD BE RELATIVELY SMALL). WE WOULD
 ALSO BE UNLIKELY, AT LEAST INITIALLY, TO SELECT COUNTRIES
 WHERE WE HAD NO EXISTING ECONOMIC ASSISTANCE RELATIONSHIP
 OR WHERE THE ASSISTANCE LEVEL WAS EXTREMELY SMALL (OUR
 LACK OF EXPERIENCE AND INFORMATION ON SUCH COUNTRIES
 WOULD PROBABLY PREVENT US FROM INITIALLY BEING EFFECTIVE
 IN SUCH COUNTRIES). THIS LEAVES ROUGHLY 15-20 COUNTRIES
 IN AFRICA FROM WHICH EPI RECIPIENTS WOULD PROBABLY BE-
 CHOSEN. WE WOULD EXPECT TO CHOOSE ONLY "A FEW COUNTRIES"
 IN THE INITIAL YEAR. IN RESPONSE TO QUESTIONS,
 MR. DONATELLI STATED THAT ZIMBABWE WOULD BE ELIGIBLE TO
 BE CONSIDERED. HE DID NOT EXPECT THAT TANZANIA WOULD BE

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CHOSEN BOTH SINCE IT WAS NONELIGIBLE UNDER BROOKE AND
BECAUSE IT DID NOT APPEAR TO HAVE UNDERTAKEN THE TYPE
OF ECONOMIC REFORMS, INCLUDING IMF AGREEMENT, WHICH -
WOULD BE NECESSARY. BUT IF TANZANIA CAME OUT FROM UNDER
BROOKE WE COULD LOOK AT THE REFORM RECORD IN RESPONSE
TO OTHER QUESTIONS. DONATELLI AND LYMAN STATED THAT
DECISIONS ON CHOICE OF COUNTRIES WOULD BE BASED ON
ECONOMIC CRITERIA, BUT WOULD CERTAINLY, AS WITH THE
FOREIGN ASSISTANCE PROGRAM AS A WHOLE, BE TAKEN IN THE
CONTEXT OF OVERALL UNITED STATES FOREIGN POLICY
CONSIDERATIONS. WE WOULD EXPECT TO WORK CLOSELY WITH
OTHER DONORS SINCE AN INTERNATIONAL CONSENSUS TO SUPPORT
ECONOMIC REFORM WOULD BE VERY IMPORTANT. SHULTZ
END OF MESSAGE

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